

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7097

BILL NUMBER: HB 1258

DATE PREPARED: Jan 28, 2002

BILL AMENDED: Jan 24, 2002

SUBJECT: Health Facility Reimbursement.

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FUNDS AFFECTED: X

X

X

GENERAL

DEDICATED

FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the Office of Medicaid Policy and Planning (OMPP) to: (1) apply to the federal Centers for Medicare and Medicaid Services for an amendment to the State Medicaid Plan to implement certain health facility reimbursement changes; and (2) authorize the collection of a licensing fee of \$6 from each health facility for each patient day; and provide for the deposit of the fee into the Eldercare Trust Fund. The bill specifies how a health facility's annual licensing fee shall be calculated, depending upon whether the facility participates in the state Medicaid program.

The bill requires a health facility to obtain a certificate of need to add comprehensive care beds. It also provides for a study on the occupancy rates of health facilities.

Effective Date: Upon passage; October 1, 2001 (retroactive).

Explanation of State Expenditures: (Revised) *Summary:* This bill would provide total revenue of \$94 M from the bed fee assessment. The bill would require increased nursing facility rates to reflect increased allowable costs due to the new fee. This would require the use of \$23.1 M of the fee assessment revenue. The bill also voids specific rules in the rule promulgation process and other proposed actions that would result in lower payments to nursing facilities. These provisions would eliminate \$26.9 M in proposed savings to the Medicaid program from the administration's *Medicaid Balanced Budget Plan*. The bill would also require the Veterans' Home expenditures be increased by an estimated \$0.6 M to provide for the payment of the bed fee assessment. The estimated net gain to the state from the assessment of the bed fee is estimated to be \$43.4 M.

Nursing Facility License Fee: This bill would authorize a \$6 per patient day nursing facility license fee for all nursing home beds in the state. The bill appropriates the proceeds of the licensing fee to pay for services under the state Medicaid program. If the funds generated by the fee cannot be used to draw federal matching funds, they are to be returned to the facilities that contributed them. OMPP estimates that the license fee would generate a total of \$94 M; including \$4.6 M from non-Medicaid nursing facilities. The bill specifies that the fee collected is an allowable administrative cost component for Medicaid reimbursement purposes. The Medicaid-certified nursing facilities are

estimated to recover approximately 68% of the cost of the fee through increased rates due to higher allowable costs. This would require total additional payments to the nursing facilities of \$60.8 M. The state share would be \$23.1M of the total. The net gain to the state Medicaid program from the \$6 fee would be \$70.9M.

The bill specifies that the fee may not be assessed until the nursing facility rates have been adjusted and the new higher rates reflecting the increased administrative costs are being paid.

Impact on the State Veterans' Home: The Veterans' Home is licensed by the State Department of Health for 350 comprehensive care facility beds and 105 residential beds. The Veterans' Home would fall under the definition of facilities required to pay the general bed licensing fee. It is estimated that this would result in increased annual expenditures for the Veterans' Home of approximately \$600,000 in state General Funds. The Veterans' Home is not a Medicaid-certified facility and would realize no refund of this expenditure under the rate provisions of the bill.

Prohibition Against Repealing or Amending Rules: The bill would also prohibit OMPP from repealing or amending the existing nursing home reimbursement rule without statutory authority if it would result in a reduction of payments to nursing facilities. The bill also voids several proposed rules changes that are currently in the promulgation process. It is estimated that this provision would result in a continued cost to the state of \$26.9 M. (These are savings that are included in the OMPP *Medicaid Balanced Budget Plan* that would not occur as a result of this bill.)

Certificate of Need Program: The bill reinstitutes the state Certificate of Need (CON) program. The Department of Health has not reported the cost associated with resurrecting this program. [This note will be updated when this estimate is available.]

Study on Occupancy Rates of Indiana Nursing Facilities: The bill requires the Select Joint Commission on Medicaid Oversight to study the occupancy rates of health facilities in the state. The bill specifies areas the Commission must investigate and requires a final report be issued before December 1, 2002. This requirement would be added to the list of required charges to the Select Joint Commission to be accomplished within the established budget for the Commission.

Explanation of State Revenues: Medicaid is a federal- and state-funded entitlement program. For every dollar spent on qualifying services in Indiana, the federal program reimburses the state about 62%.

Explanation of Local Expenditures: (Revised) There are currently six county-owned nursing facilities participating in the Medicaid program that would be subject to the Nursing Facility License Fee.

Explanation of Local Revenues: The six county-owned nursing facilities may have their reimbursement rates affected by this bill.

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning; State Veterans' Home, State Department of Health

Local Agencies Affected: County-owned nursing facilities.

Information Sources: Amy Brown, Legislative Liaison for the Family and Social Services Administration, (317) 232-1149; Evelyn Murphy, Director, Long-Term Care Program, OMPP: *Combined Medicaid & CHIP Incurred Claim Budget Forecast for the 2002-2003 Biennium*, December 19, 2001., and the *Medicaid Balanced Budget Plan*, January 4, 2002., Office of Medicaid Policy and Planning; Kris Knerr, Myers and Stauffer, 846-9521; Steve Albrecht, Indiana Health Care Association, 636-6406.